

RESOLUTION NO. CR-16-07

A RESOLUTION TO APPROVE A TERM LETTER FOR THE DEVELOPMENT OF THE LUMBERYARD SITE

WHEREAS, as approved by Resolution CR-47-06, Council authorized the City Administrator to negotiate a contract with Stonehenge/Bird Houk Collaborative for the development of the Lumberyard site; and

WHEREAS, Resolution CR-47-06 required the developer to submit a Term Letter, describing the Scope of Development and Economic Terms of such development for approval by Council prior to negotiating the final contract; and

WHEREAS, Stonehenge/Bird Houk Collaborative has submitted such a Term Letter

NOW, THEREFORE BE IT RESOLVED BY THE COUNCIL OF THE CITY OF GROVE CITY, STATE OF OHIO, THAT:

SECTION 1. This Council hereby accepts and approves the Term Letter attached hereto and made a part hereof in Exhibit "A".

SECTION 2. The City Administrator is hereby authorized to finalize the Contract utilizing Scenario 1, Scenario 2, or a combination of the two, with the final contract to be approved by Council.

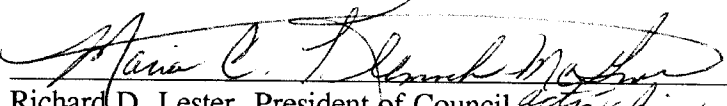
SECTION 3. Approval of this Resolution shall be non-binding on Stonehenge/Bird Houk Collaborative or the City of Grove City.

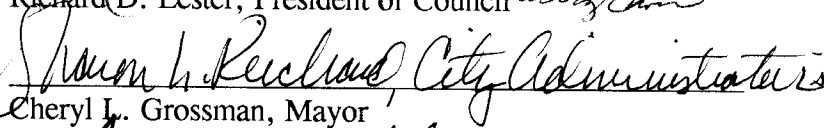
SECTION 4. This resolution shall take effect at the earliest opportunity allowed by law.

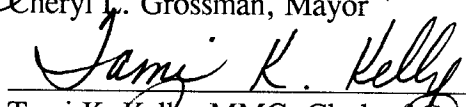
Passed: 03-19-07
Effective: 03-19-07

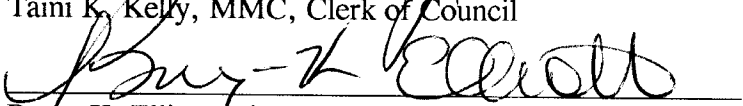
Attest:

I Certify that this resolution
is correct as to form.


Richard D. Lester, President of Council


Cheryl L. Grossman, Mayor


Tami K. Kelly, MMC, Clerk of Council


Bryan K. Elliott, Director of Law



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Letter of Commitment

Lumberyard Project, Grove City, Ohio

To: President of Council
Grove City, Ohio

On September 5, 2006, Council adopted Ordinance No. CR-47-06, authorizing the City Administrator to negotiate with The Stonehenge Company as a potential developer of the Lumberyard Site in downtown Grove City. The Stonehenge Company is delighted to have been selected as the developer for this important Project, and values the trust that the City and its leaders have placed in it. Stonehenge pledges to proceed with the negotiations for the Development Agreement and to undertake the Project in a spirit of good faith, mutual cooperation and with the highest of ethical standards.

We understand that prior to the commencement of these negotiations, the Council was interested in a more specific description of the proposed Project, and some ideas on the implementation and the proposed financing of the Project. This letter and its attachments sets forth some of our thinking on these ideas, recognizing that the effort will be cooperative and will remain open to input and suggestions throughout the process in order to obtain a high quality and mutually satisfactory outcome. I would also refer you to the proposal that Bird Houk Collaborative and Stonehenge submitted to the City earlier this year for a more complete description of our thinking regarding this Project.

I. Strategic Community Involvement

Stonehenge believes that support of the Project from all parts of the Grove City community is essential to a successful outcome. To that end, based on input it receives from City administration, City Council, and the neighborhood surrounding the Project, Stonehenge will identify stakeholders in the Project and in the community. Stonehenge initially will informally consult these stakeholders in order to identify the scope and style of Project. Stonehenge will also consult with City officials to ensure that the Project as conceived and developed will be in harmony with existing and future neighborhood development. After the scope of the Project and financing model is established in cooperation with the City, Stonehenge will hold public meetings with the community to refine its approach and to arrive at a final plan for the Project. Even after the plans for the Project are finalized, Stonehenge expects to continue to regularly meet with, and receive input from, small groups of advisors around the community as the Project is implemented. This method of consensus building will ensure that the Project may fully achieve the vision of creating an "urban heart" for the Grove City community. Stonehenge expects and desires that this process will continue through the opening and initial operation of the Project.

II. Description and Design of Development

The proposed Project is intended to create a downtown center that will function as a Town Square and will be a focus of the community's activity. As such, the Project will include a mix of public and private uses. The proposal submitted to the City by Stonehenge and Bird Houk Collaborative on January 26, 2006 describes Stonehenge's initial vision for the Project. The final design for the Project will be the result of the collaborative effort that Stonehenge will undertake with the community and the neighborhood stakeholders.

There are some fundamental principles that will guide Stonehenge in its development of a final Project concept and in its collaboration with the community. Stonehenge intends to create a mixed-use project, incorporating retail, restaurant, office and residential uses to create an urban neighborhood that will be a vital center of Grove City during the evenings and the weekends. The designs to be used will emphasize and add to the existing character of downtown Grove City, and care will be taken to ensure that the Project is visible, accessible and aesthetically pleasing. Stonehenge is committed to superior design, quality construction and attention to detail in order to produce a cohesive, inviting and quaint appeal to all aspects of the Project. This commitment will likely add an incremental \$10 per square foot to the cost of construction, or an addition \$1.0 million of cost for the Project. Stonehenge will be fully responsible for the entirety of this cost and for delivering a Project that that will set a standard for other communities.

At the present time, the following represents Stonehenge's best estimate of the various elements of the Project. These elements are set forth in more detail in the Proposal:

A. Private uses are anticipated to include:

1. Ground floor retail, restaurant and office totaling approximately 28,400 square feet.
 - a. Ground floor retail/restaurant uses fronting primarily on Park Street
 - b. Additional retail/restaurant uses facing both Broadway and Grove City Road.
 - c. Ground floor retail and office for portions of buildings that face interior walkway/galleria between Garage and City Hall.
2. Professional offices above retail uses totaling 36,200 square feet
3. Residential Condominiums - Twenty 1,600-2,000 square foot units with two-car parking integrated into the units.

B. Public Improvements are anticipated to include:

1. Public plazas, including an open-air roofed structure connecting two retail/office structures, including decorative lighting, and parking (55 parking spaces);
2. A Public Galleria, combining green space and plaza space;
3. A 60' clear span parking structure; the parking garage is intended to provide parking for City Hall and to accommodate the private portions of the Project and surrounding businesses during the week as well as public events near the Project on the weekends.

C. Total Investment (2006 estimate)**1. Private Improvements:**

a.	Commercial Construction:	\$8.1 million
b.	Residential Construction:	\$4.3 million
c.	Land Cost	\$800,000*
d.	Total Investment	\$13.2 million.

* Assuming a purchase by Stonehenge, as opposed to a long-term lease of commercial property.

2. Anticipated Public Improvements:

(i)	Public Garage (229 Spaces)	\$2,511,000*
(ii)	Public Plazas, Streetscape	\$1,491,000
	Total Investment	\$4,002,000

* Can be expanded to 289 spaces at an extra cost.

III. Financing of Improvements:

Stonehenge believes that for the Project to be viable, the economics need to be mutually satisfactory from the perspective of both the public and private sectors. Because of the project's significance to the "heart" of Grove City, Stonehenge's investment will be substantial in both economic and qualitative terms. It is our experience that high quality and careful work pays dividends in the long run, and Stonehenge fully expects that, given the right economic inducements, this Project will be a successful endeavor. In order to arrive at what is a fair economic incentive to induce this Project, the various benefits that a successful Project will bring to the City, including, but not limited to, income taxes, increased property values and enhancements to the area around City Hall should all be considered. Stonehenge and the City are partners in this development. Therefore, Stonehenge is committed to ensuring that to the extent City resources are affected, they are used responsibly to effectively support the Project in the interest of surrounding the community.

From Stonehenge's perspective, it will be important for the success of the Development to make sure that Stonehenge will be able to offer competitive lease/purchase prices to prospective tenants and owners. In addition, it is important that the project is visible and accessible; the public improvements that Stonehenge has proposed are intended to fulfill this objective.



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It is our understanding that the City has the ability to provide a Community Reinvestment Area credit, which would provide 100% tax abatement for a period of 15 years. This is a valuable tool for attracting businesses and residents to this area, and we would ask the City to consider utilizing it. In exchange for this incentive, Stonehenge is willing to assist the City to finance the public portion of this project with minimal out-of-pocket expense to the City.

To this end, Stonehenge is proposing the financing structures for the Project attached to this letter as Exhibits 1 and 2. Essentially, Stonehenge is willing to guarantee that the City will receive in income taxes from the Project in an amount equal to the value that Stonehenge receives from the CRA tax exemption. As Stonehenge's guarantee will be secured by a bank line of credit and special assessments, the City will be assured that any debt it issues will be largely exempt from the debt limitations of its Charter and will have minimal impact on the other funds of the City. Stonehenge has offered the City two scenarios, one that involves a payment of \$800,000 to the City for the land, the other replaces that payment with a long-term lease of the site at a rate of \$1.00 per square foot of the commercial portion of the Project.

Of course there are many other structures that could be implemented; Stonehenge's proposals have the advantage of being relatively simple and straightforward from the City's perspective and will provide Stonehenge with an incentive that will enable the Project to be leased at a competitive rate. Stonehenge remains open to other suggestions.

Conclusion

It is our hope that these proposal options will be helpful to the City when evaluating how to move forward with this project. We look forward to commencing negotiations and hope that Council will authorize the City to enter into negotiations with Stonehenge for a definitive development agreement that is mutually beneficial.

Very truly yours,

A handwritten signature in black ink, appearing to read "Mo M. Dioun".

Mo M. Dioun

THE STONEHENGE COMPANY

MARCH 19, 2007

PROPOSED FINANCIAL TERMS FOR GROVE CITY LUMBERYARD TRANSACTION

SCENARIO 1 - PURCHASE

Acquisition of Property and Construction of Improvements.

1. Developer will construct private and public improvements.
2. City will transfer site of residential and commercial property to Developer. Developer will pay \$800,000 in \$20,000 installments as the various lots are transferred or leased by the Developer. In the event that lots remain unsold or leased, the balance of purchase price will be due on or about December 31, 2011.
3. Developer to construct public infrastructure and private improvements. Total private development cost is estimated to be approx. \$13.2 million.
4. Developer and City will cooperate to bid public project in a manner that is satisfactory to the City, in order to ensure that project construction is cost-effective
5. City and Developer to determine size of public parking garage to be built, taking into account needs of Development and City Hall. Preliminary understanding is that City will wish to construct a 229-space parking garage that will permit expansion at a later time as needs warrant. Based on early 2006 estimate, the cost of public improvements is projected to be \$4,002,000 (the accuracy of this estimate depends on the cost of labor and materials when construction begins). Parking garage will be public and Developer and its tenants will not have any exclusive rights in parking garage.
6. City will provide CRA tax abatement for commercial and residential portions of the Project - 100% for 15 years. Value of this abatement allocable to the commercial portion is estimated to be \$220,000 per year.
7. Projected construction schedule attached as Exhibit A.
8. Developer will be solely responsible for constructing private improvements. City will have no obligation to provide financing for public improvements until it has received evidence of a satisfactory commitment from Developer's lender to pay costs of private commercial improvements.

Financing of Public Improvements

1. City will finance construction of public infrastructure with general obligation bond anticipation notes, so that construction can begin on garage in late summer 2007. Interest would be capitalized until second calendar year after commercial portion of Project opens (i.e. interest would be capitalized through late 2010).
2. Developer will guarantee payment of \$220,000 of debt service annually for fifteen years. Income taxes derived by the City from the commercial portion of the Project and from the construction of the residential and commercial portions of the Project, will be credited towards the Developer's \$220,000 annual guaranty obligation. Income tax proceeds received prior to commencement of Developer's guaranty obligation (mainly from construction) will be credited to those obligations in later years.

3. Developer's \$220,000 annual guaranty obligation will be secured by a line of credit and by special assessments levied on commercial portion of property.
4. Developer's guaranty obligation would first accrue following the end of the third year after commencement of construction, with credit being given to amounts received by the City from income taxes paid on account of construction or operation of the project during that three year period. That credit would be carried forward to reduce the Developer's guaranty obligations during each subsequent year.
5. Special assessments to be levied on commercial property will exempt portion of City's debt from City's direct debt limitations. If Developer fails to pay its guaranty obligation, special assessments will be collected on commercial portion of the property. As Developer will secure its guaranty obligation with a letter or line of credit, it is unlikely that special assessments will ever need to be collected.
6. City will adopt TIF legislation, with TIF exemption effective after CRA tax abatement expires (i.e. in years 15-25). TIF Revenues could also be used to pay for additional improvements benefiting the Development.
7. To the extent that Developer pays on its \$220,000 guaranty, the Developer will be entitled to be repaid from excess income tax proceeds or excess TIF proceeds received by the City after annual debt service requirements are met.
8. When annual amount of income taxes received by City from Development in an annual period reaches 110% of annual debt service on Developer's portion of general obligation bonds, or an amount equal to the Developer's portion of the Bonds have been paid, Developer's obligation to supply letter or line of credit will end.
9. Projected financing/repayment model set forth on Exhibit B.

MARCH 19, 2007

PROPOSED FINANCIAL TERMS FOR GROVE CITY LUMBERYARD TRANSACTION

SCENARIO 2 - LEASE TRANSACTION

Acquisition of Property and Construction of Improvements.

1. Developer will construct private and public improvements.
2. City will transfer fee to site of residential property to Developer. Developer will lease private improvement footprints from City for 99 years. Initial rate will be \$1.00 per square foot of commercially leased or sold space, based on 64,600 square feet of commercial space. After 30 years, rate will be adjusted to \$2.00 per square foot, with adjustments every five years based on consumer price index.
3. Developer to construct public infrastructure and private improvements. Total private development cost is estimated to be approx. \$13.2 million.
4. Developer and City will cooperate to bid public project in a manner that is satisfactory to the City, in order to ensure that project construction is cost-effective
5. City and Developer to determine size of public parking garage to be built, taking into account needs of Development and City Hall. Preliminary understanding is that City will wish to construct a 229-space parking garage that will permit expansion at a later time as needs warrant. Based on early 2006 estimate, the cost of public improvements is projected to be \$4,002,000 (the accuracy of this estimate depends on the cost of labor and materials when construction begins). Parking garage will be public and Developer and its tenants will not have any exclusive rights in parking garage.
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Financing of Public Improvements

1. City will finance construction of public infrastructure with general obligation bond anticipation notes, so that construction can begin on garage in late summer 2007. Interest would be capitalized until second calendar year after commercial portion of Project opens (i.e. interest would be capitalized through late 2010).
2. Developer will guarantee payment of \$220,000 of debt service annually for fifteen years. In addition, City will receive \$64,600 lease payment annually. Income taxes derived by the City from the commercial portion of the Project and from the construction of the residential and commercial portions of the Project, will be credited towards the Developer's \$220,000 annual guaranty obligation. Income tax proceeds received prior to commencement of Developer's guaranty obligation (mainly from construction) will be credited to those obligations in later years.

3. Developer's \$220,000 annual guaranty obligation will be secured by a line of credit and by special assessments levied on commercial portion of property.
4. Developer's guaranty obligation would first accrue following the end of the third year after commencement of construction, with credit being given to amounts received by the City from income taxes paid on account of construction or operation of the project during that three year period. That credit would be carried forward to reduce the Developer's guaranty obligations during each subsequent year.
5. Special assessments to be levied on commercial property will exempt portion of City's debt from City's direct debt limitations. If Developer fails to pay its guaranty obligation, special assessments will be collected on commercial portion of the property. As Developer will secure its guaranty obligation with a letter or line of credit, it is unlikely that special assessments will ever need to be collected.
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9. Project financing/repayment model set forth on Exhibit B.